



MEMORANDUM

Citizens Finance Review Commission

Re: Research Proposals as of July 9, 2003

The research teams will be distributing reports to the commissioners around the end of August on the following topics/proposals. This list has been compiled as of July 9, 2003 and is subject to change.

Income Tax Topics:

1. Evaluate income tax burdens.
2. Evaluate the state personal income tax credits, deductions and additions.
3. In light of the substantial changes to the federal estate tax, if the state were to preserve an estate tax, how would it do this and what would be the effects? What if the state were to apply an inheritance tax instead?
4. Evaluate ways to spread the tax burden on non-residents.
5. What are the effects of replacing our corporate income tax with: a gross receipts tax, a franchise tax, etc.?
6. What are the effects of re-instituting a throw back provision in the corporate income tax statutes?
7. What are the effects of moving to a single sales factor application in the corporate income tax?
8. What are the effects of applying minimum taxes or annual fees on LLCs, S-corps or C-corps.?
9. Evaluate the state corporate income tax credits, deductions and additions.

Property Tax Topics:

- A. Reinststate a state-wide property tax at a rate to be fixed annually by the legislature and levied against the primary property value at a uniform assessment ratio for all classes of property.
- B. Eliminate the 1% cap on residential property tax.
- C. Eliminate the Homeowner's Rebate.
- D. Apply a uniform QTR over the entire state.
- E. Phase out, over a 5 to 7 year period, the differences in property tax assessment ratios on property classes that are subject to the primary property tax, or, at least narrow the gap, taking into account the ability of some classes to depreciate.

- F. Eliminate the differences in assessment ratios between property classes for the secondary property tax applicable to new budget limit overrides.
- G. Eliminate the distinction between full cash value and limited property values and require tax rates, levy limits and voter approved spending to apply to a property's full cash value.
- H. Examine the use of property tax exemptions.
- I. Eliminate or reduce the business personal property tax.

Sales Tax Topics:

- 1. Contact other jurisdictions and review academic studies to what principles other states' use to evaluate the creation or approval of new TPT exemptions.
- 2. Research the current TPT exemptions and categorize them by purpose (if evident). Compare Arizona's TPT exemptions' purposes to the best practices determined by the first study of other jurisdictions and academic studies.
- 3. Research other states' actions on expanding the tax base to services and compare that to Arizona's tax base.
- 4. Evaluate the application of the Streamlined Sales Tax Agreement (to address taxation of internet sales) in Arizona.
- 5. Evaluate the application of a real estate transfer tax.

Fees, Licenses and Other Taxes:

- A. Evaluate whether the state needs a Budget Stabilization Fund and, if so, what the level of the Budget Stabilization Fund should be to be effective.
- B. Explore ways to fund public school constructions obligations.
- C. Examine whether and how long term fiscal planning regimens can be used in the state's fiscal planning process.
- D. Compare how much Arizona receives in federal funds to other competitor states and what methods can be taken to increase Arizona's share of federal funds.
- E. Consider whether it would be possible to use accrual accounting methods in creating the state budget.